

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-14 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /180 W

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P 100556Z JUN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4171

INFO AMEMBASSY WELLINGTON PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: DECLAS 9/30/74

TAGS: EAID, EFIN, WS

SUBJ: PROPOSED ADB SUPPLEMENTARY LOAN - FALEOLO AIRPORT AND
ROAD PROJECT (WESTERN SAMOA)

SUMMARY: ADB MANAGEMENT PROPOSES \$555,000 EQUIVALENT
SUPPLEMENTARY LOAN FROM SPECIAL FUNDS RESOURCES TO GOVT
OF WESTERN SAMOA TO PROVIDE ADDITIONAL FINANCING TO
COVER FOREX PORTION OF COST OVERRUN FOR FALEOLO AIRPORT
AND ROAD PROJECT FOR WHICH BANK PREVIOUSLY APPROVED \$2.4
MILLION SPECIAL FUNDS LOAN DEC. 16, 1969. USADB RECOMMENDS
FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R52-74 WITH ATTACHMENTS DESCRIBING
PROPOSED SUPPLEMENTARY LOAN POUCHED ADDRESSEES JUNE 7.
BOARD CONSIDERATION SCHEDULED JUNE 27.

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2. ADB MANAGEMENT PROPOSING \$555,000 LOAN FROM SPECIAL FUNDS RESOURCES TO GOVT OF WESTERN SAMOA. PROCEEDS WILL FINANCE FOREX COST OVERRUN OF FALEOLO AIRPORT AND ROAD PROJECT. PROPOSED TERMS ARE 40-YEAR AMORTIZATION INCLUDING 10-YEAR GRACE PERIOD, ONE PERCENT INTEREST. INDEPENDENT STATE OF WESTERN SAMOA TO BE BORROWER AND MINISTRY OF FINANCE THE EXECUTING AGENCY.

3. ON DEC. 16, 1969, BANK APPROVED \$2.4 MILLION LOAN FROM SPECIAL FUNDS RESOURCES (30 YEARS, INCLUDING 10 YEARS GRACE, 1 1/2 PERCENT INTEREST) TO FINANCE FOREX COST OF IMPROVEMENTS TO FALEOLO AIRPORT AND ROADSMINKING IT WITH APIA, LARGEST CITY AND CAPITAL OF WESTERN SAMOA. TOTAL COST OF PROJECT WAS ESTIMATED AT \$3.08 MILLION. BANK LOAN WAS USED TO UPGRADE AND EQUIP AIRPORT TO ENABLE IT TO HANDLE SHORT-HAUL, TWIN-JET AIRCRAFT WHICH HAVE BEEN INTRODUCED IN SOUTH PACIFIC FOR INTER-ISLAND AIR TRAFFIC. PROJECT ALSO PROVIDED FOR IMPROVEMENT OF 24-MILE-LONG ROAD FROM AIRPORT TO APIA, WHICH PASSES THROUGH DENSELY POPULATED AREA, TO AN APPROPRIATE STANDARD. CONSTRUCTION WORK ON AIRPORT BEGAN IN APRIL 1970 AND NEW RUNWAY BECAME OPERATIONAL IN APRIL 1972. AIRPORT BUILDINGS AND ROAD WERE COMPLETED IN STAGES BY SEPT 1973. PROJECT IS NOW IN FULL OPERATION.

4. PRINCIPAL REASONS FOR COST OVERRUN WERE: (A) EXTENSION OF TIME REQUIRED TO COMPLETE PROJECT RESULTED IN INCREASED PAYMENTS TO LABOR AND TO EXPATRIATE SUPERVISORY STAFF AND CONSULTANTS; (B) PURCHASES OF SPARES FOR HEAVY PLANT AND OF MATERIALS FOR CONSTRUCTION OF AIRPORT BUILDINGS WERE SUBSTANTIALLY HIGHER THAN ORIGINALLY ESTIMATED; AND (C) PROVISION FOR INSURANCE OF SHIPMENTS OF PLANT AND EQUIPMENT FOR WHICH NO PROVISION HAD BEEN MADE IN ORIGINAL ESTIMATES. IT HAS BEEN ESTIMATED THAT INFLATION ACCOUNTED FOR ABOUT 10 PERCENT AND CURRENCY REALIGNMENT FOR ABOUT 7 1/2 PERCENT OF \$555,000 FOREX COST OVERRUN.

5. TOTAL PROJECT COST ACTUALLY AMOUNTED TO \$4.61 MILLION EQUIVALENT OF WHICH \$2.979 MILLION WAS FOREX COST AND LIMITED OFFICIAL USE

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\$1.631 MILLION WAS LOCAL CURRENCY COST. ACTUAL FOREX COST OVERRUN TOTALED \$579,000, INCLUDING \$24,000 IN INCREASED INTEREST DURING CONSTRUCTION WHICH HAD BEEN DEBITED TO THE LOAN BUT BANK DOES NOT PROPOSE TO FINANCE. THUS, GOVT WILL FINANCE FROM ITS OWN RESOURCES THIS \$24,000 FOREX COST PLUS \$951,000 IN INCREASED LOCAL CURRENCY EXPENDITURE. PROPOSED SUPPLEMENTARY LOAN WOULD BE USED PARTLY TO REIMBURSE GOVT FOR \$200,000 IN FOREX PAYMENTS ALREADY

MADE AND PARTLY TO COVER FOREX COMMITMENTS OF \$355,000
ALREADY INCURRED FOR WHICH PAYMENTS ARE STILL OUTSTANDING.
ALL PROCUREMENT WAS UNDERTAKEN IN ACCORDANCE WITH BANK'S
GUIDELINES FOR PROCUREMENT.

6. PROJECT REMAINS TECHNICALLY SOUND, WITH ECONOMIC RATE
OF RETURN NOW ESTIMATED AT ABOUT 17.3 PERCENT COMPARED
WITH 10.2 PERCENT ESTIMATED DURING ORIGINAL APPRAISAL.
AIRPORT AND RELATED FACILITIES PROVIDE STIMULANT TO GROWTH
OF TOURIST INDUSTRY. SOCIAL BENEFITS ARE ALSO ANTICIPATED
FROM INCREASED EMPLOYMENT OPPORTUNITIES CREATED IN AIRPORT
AND SERVICES SECTOR. IN NOV. 1972, IN CONFORMANCE WITH
EARLIER LOAN AGREEMENT, GOVT INCREASED EXISTING SCALE OF
LANDING FEES AND INTRODUCED AIRPORT DEPARTURE TAX, EFFECTIVE
IN JAN. 1973. USADB SUPPORTS PROPOSAL AND RECOMMENDS
FAVORABLE NAC CTION.

7. REQUEST WELLINGTON'S COMMENTS FOR NAC AGENCIES, INFO
USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, BANK LOANS, AIRPORTS, HIGHWAYS, FOREIGN EXCHANGE HOLDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA06800
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740148-0167
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740660/aaaabzjj.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2002 by martinml>; APPROVED <06 MAR 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB SUPPLEMENTARY LOAN - FALEOLO AIRPORT AND ROAD PROJECT (WESTERN SAMOA)
TAGS: EAID, EFIN, WS, RP, ADB-1
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005